

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7042

BILL NUMBER: SB 335

DATE PREPARED: Dec 28, 2001

BILL AMENDED:

SUBJECT: Preexisting Conditions.

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**FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL**

IMPACT: State

Summary of Legislation: This bill provides that an individual policy of accident and sickness insurance or a group policy of accident and sickness insurance under which a certificate of coverage is issued to an individual member of an association or a discretionary group may contain an exclusion of coverage for a specified condition if the exclusion meets certain conditions.

Effective Date: July 1, 2002.

Explanation of State Expenditures: This bill would allow for individual insurance policies, association group policies, and discretionary group policies to include a waiver of coverage for 12 months or longer. Any impact is likely to be small. State health policies do not allow for exclusions of preexisting conditions and are employee group policies; hence they would not be affected by this legislation. The impact on the state, if any, is a potential decrease in demand for Indiana Comprehensive Health Insurance Association (ICHIA) policies.

This bill allows individual insurance policies, association group policies, and discretionary group policies (i.e., not employee group policies) to include waivers of coverage for 12 months or longer. (Current statute allows for only a 12-month exclusion for preexisting conditions.) This bill would allow for no more than two specified medical conditions, and their associated conditions, to be included in the exclusion. In addition, this bill does not allow exclusion of coverage for any services, benefits, or options mandated by state or federal law.

Background: ICHIA is the high-risk insurance program offered by the state. ICHIA is funded through premiums paid by individuals obtaining insurance through ICHIA, by assessments to member companies (insurers, health maintenance organizations, and others that provide health insurance or health care coverage in Indiana), and the state General Fund. To be eligible, Indiana residents must show evidence of: (1) denied insurance coverage or an exclusionary rider; (2) one or more of the "presumptive" conditions such as AIDS,

Cystic Fibrosis, or Diabetes; (3) insurance coverage under a group, government, or church plan making the applicant eligible under the federal Health Insurance Portability and Accountability Act (HIPAA); or (4) exhausted continuation coverage (e.g., COBRA). Premium rates must be less than or equal to 150% of the average premium charged by the five largest individual market carriers.

The excess of expenses over premium and other revenue is made up by assessments on member insurance carriers. The Employee Retirement Income Security Act (ERISA) prevents assessments against self-funded insurance plans. Members may, in turn, (1) take a credit against Premium Taxes, Gross Income Taxes, Adjusted Gross Income Taxes, Supplemental Corporate Net Income Taxes, or any combination; or (2) include in the rates for premiums charged for their insurance policies amounts sufficient to recoup the assessments. The amount of assessments that are recouped by insurance carriers through tax credits or premium increases is not known at this time. Total expenses for the ICHIA program for CY 2000 were \$53.22 M with premium contributions of \$19.78 M and assessment receipts of \$43 M. Enrollment in the ICHIA program as of June 1, 2000, was 7,662.

Explanation of State Revenues: See *Explanation of State Expenditures*, above, regarding the ICHIA program.

Explanation of Local Expenditures: This bill may reduce local health expenditures to the extent that the plans contain high-risk individuals and the local unit purchases individual health insurance policies for employees.

Explanation of Local Revenues:

State Agencies Affected: Indiana Comprehensive Health Insurance Association.

Local Agencies Affected: Those units that may purchase individual health insurance policies for their employees.

Information Sources: M-Plan Testimony to the Interim Study Committee on the Indiana Comprehensive Health Insurance Association, September 20, 2000. Indiana Comprehensive Health Insurance Association Summary for Health Finance Commission, August 8, 2001. Indiana Comprehensive Health Insurance Association schedule of assessments for 1991-2000, Health Finance Commission, August 8, 2001.